

**Village of Lake Isabella  
Isabella County**

**Annual Financial Statements  
and  
Auditors' Report  
June 30, 2009**

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**Village of Lake Isabella**  
**List of Elected and Appointed Officials**  
**June 30, 2009**

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Village Council

**President**

David Torgerson

**President Pro-Temp**

Dan Pattison

**Treasurer**

Charles Kiel

**Clerk**

Jeff Grey

**Members**

Richard Lacca  
Arnold Griffin  
Elizabeth Miller

**Village Manager**

Timothy R. Wolff

**Deputy Manager**

Jessica Manley



6018 Eastman Avenue  
Midland, MI 48640  
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## Independent Auditors' Report

Village Council  
Village of Lake Isabella  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lake Isabella as of and for the year ended June 30, 2009, which collectively comprise this Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Isabella's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Lake Isabella as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Lake Isabella's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

November 13, 2009  
Midland, Michigan

**Village of Lake Isabella**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,335,928	\$ 136,452	\$ 1,472,380
Receivables			
Special assessments	1,528,434	-	1,528,434
Due from other units of government	49,375	-	49,375
Capital assets not being depreciated	5,304	115,000	120,304
Capital assets - net of accumulated depreciation	<u>3,747,632</u>	<u>110,967</u>	<u>3,858,599</u>
 Total assets	 <u>6,666,673</u>	 <u>362,419</u>	 <u>7,029,092</u>
<b>Liabilities</b>			
Accounts payable	9,394	7,260	16,654
Accrued and other liabilities	19,280	-	19,280
Noncurrent liabilities			
Due within one year	308,077	-	308,077
Due in more than one year	<u>1,900,237</u>	<u>-</u>	<u>1,900,237</u>
 Total liabilities	 <u>2,236,988</u>	 <u>7,260</u>	 <u>2,244,248</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,544,622	160,967	1,705,589
Restricted for:			
Debt service	830,334	-	830,334
Unrestricted	<u>2,054,729</u>	<u>194,192</u>	<u>2,248,921</u>
 Total net assets	 <u>\$ 4,429,685</u>	 <u>\$ 355,159</u>	 <u>\$ 4,784,844</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 80,941	\$ 15,338	\$ -	\$ -	\$ (65,603)	\$ -	\$ (65,603)
Public safety	61,653	-	-	-	(61,653)	-	(61,653)
Public works	433,826	163,827	-	-	(269,999)	-	(269,999)
Community and economic development	2,781	-	-	-	(2,781)	-	(2,781)
Interest on long-term debt	97,343	-	-	-	(97,343)	-	(97,343)
Total governmental activities	<u>676,544</u>	<u>179,165</u>	<u>-</u>	<u>-</u>	<u>(497,379)</u>	<u>-</u>	<u>(497,379)</u>
Business-type activities							
Sewer	36,241	-	-	-	-	(36,241)	(36,241)
Airport	10,323	-	-	-	-	(10,323)	(10,323)
Total primary government	<u>\$ 723,108</u>	<u>\$ 179,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(497,379)</u>	<u>(46,564)</u>	<u>(543,943)</u>
General revenues							
Property taxes					61,713	-	61,713
State shared revenue					241,820	-	241,820
Unrestricted investment earnings					24,809	2,792	27,601
Miscellaneous					7,198	-	7,198
Transfers					2,500	(2,500)	-
Total general revenues and transfers					<u>338,040</u>	<u>292</u>	<u>338,332</u>
Change in net assets					(159,339)	(46,272)	(205,611)
Net assets - beginning of year					<u>4,589,024</u>	<u>401,431</u>	<u>4,990,455</u>
Net assets - end of year					<u>\$ 4,429,685</u>	<u>\$ 355,159</u>	<u>\$ 4,784,844</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella  
Governmental Funds  
Balance Sheet  
June 30, 2009**

	Special Revenue Funds			Capital Project Fund LSSA	Debt Service Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets Fund	Local Streets Fund		Major Streets Debt Fund	Fairway Debt Fund	Castle/Sevilla Debt Fund	LSSA Debt Fund		
<b>Assets</b>										
Cash and cash equivalents	\$ 260,326	\$ 183,423	\$ 60,736	\$ -	\$ 218,142	\$ 17,893	\$ 39,666	\$ 460,481	\$ 95,261	\$ 1,335,928
Receivables										
Special assessments	-	-	-	-	285,869	48,321	56,180	1,072,004	66,060	1,528,434
Due from other units of government	24,702	16,023	8,650	-	-	-	-	-	-	49,375
Due from other funds	-	-	1,109	-	-	-	600	-	-	1,709
Total assets	<u>\$ 285,028</u>	<u>\$ 199,446</u>	<u>\$ 70,495</u>	<u>\$ -</u>	<u>\$ 504,011</u>	<u>\$ 66,214</u>	<u>\$ 96,446</u>	<u>\$ 1,532,485</u>	<u>\$ 161,321</u>	<u>\$ 2,915,446</u>
<b>Liabilities</b>										
Accounts payable	\$ 525	\$ 8,490	\$ 379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,394
Accrued and other liabilities	834	97	97	-	-	-	-	-	-	1,028
Due to other funds	-	-	-	-	-	-	-	-	1,709	1,709
Deferred revenue	11,497	-	-	-	285,869	48,321	56,180	1,072,004	66,060	1,539,931
Total liabilities	<u>12,856</u>	<u>8,587</u>	<u>476</u>	<u>-</u>	<u>285,869</u>	<u>48,321</u>	<u>56,180</u>	<u>1,072,004</u>	<u>67,769</u>	<u>1,552,062</u>
<b>Fund Balances</b>										
Reserved for:										
Debt service	-	-	-	-	218,142	17,893	40,266	460,481	93,552	830,334
Unreserved, reported in:										
General fund	272,172	-	-	-	-	-	-	-	-	272,172
Special revenue funds	-	190,859	70,019	-	-	-	-	-	-	260,878
Total fund balances	<u>272,172</u>	<u>190,859</u>	<u>70,019</u>	<u>-</u>	<u>218,142</u>	<u>17,893</u>	<u>40,266</u>	<u>460,481</u>	<u>93,552</u>	<u>1,363,384</u>
Total liabilities and fund balances	<u>\$ 285,028</u>	<u>\$ 199,446</u>	<u>\$ 70,495</u>	<u>\$ -</u>	<u>\$ 504,011</u>	<u>\$ 66,214</u>	<u>\$ 96,446</u>	<u>\$ 1,532,485</u>	<u>\$ 161,321</u>	<u>\$ 2,915,446</u>



**Village of Lake Isabella**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**June 30, 2009**

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<b>Total fund balances for governmental funds</b>	\$ 1,363,384
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	5,304
Capital assets - net of accumulated depreciation	3,747,632
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,539,931
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(18,252)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(2,208,314)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 4,429,685</u></u>

**Village of Lake Isabella**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2009**

	Special Revenue Funds				Debt Service Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Streets Fund	Local Streets Fund	Capital Project Fund LSSA	Major Streets Debt Fund	Fairway Debt Fund	Castle/Sevilla Debt Fund	LSSA Debt Fund		
<b>Revenues</b>										
Taxes	\$ 61,713	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,713
Licenses and permits	6,938	-	-	-	-	-	-	-	-	6,938
State revenue sharing	84,771	106,804	53,564	-	-	-	-	-	-	245,139
Local contributions	6,225	-	-	-	-	-	-	-	-	6,225
Charges for services	30,333	-	-	-	56,358	14,345	9,808	293,505	5,724	410,073
Interest income	1,461	1,342	721	1,932	6,294	180	661	1,669	10,549	24,809
Rental income	8,400	-	-	-	-	-	-	-	-	8,400
Other revenue	973	-	-	-	-	-	-	-	-	973
<b>Total revenues</b>	<b>200,814</b>	<b>108,146</b>	<b>54,285</b>	<b>1,932</b>	<b>62,652</b>	<b>14,525</b>	<b>10,469</b>	<b>295,174</b>	<b>16,273</b>	<b>764,270</b>
<b>Expenditures</b>										
Current										
General government	138,024	-	-	-	-	-	-	-	-	138,024
Public safety	61,653	-	-	-	-	-	-	-	-	61,653
Public works	10,941	84,497	64,580	90,074	8,470	-	-	-	1,804	260,366
Community and economic development	2,266	-	-	-	-	-	-	-	-	2,266
Debt service										
Principal retirement	-	1,888	1,888	-	55,000	15,000	13,600	240,000	46,400	373,776
Interest and fiscal charges	13,022	-	-	-	8,223	2,284	3,873	63,728	8,862	99,992
<b>Total expenditures</b>	<b>225,906</b>	<b>86,385</b>	<b>66,468</b>	<b>90,074</b>	<b>71,693</b>	<b>17,284</b>	<b>17,473</b>	<b>303,728</b>	<b>57,066</b>	<b>936,077</b>
Excess (deficiency) of revenues over expenditures	(25,092)	21,761	(12,183)	(88,142)	(9,041)	(2,759)	(7,004)	(8,554)	(40,793)	(171,807)
<b>Other financing sources (uses)</b>										
Transfers in	60,038	76,013	-	-	-	-	-	393,135	30,125	559,311
Transfers out	-	(35,589)	(2,948)	(393,135)	(117,139)	-	(700)	(6,000)	(1,300)	(556,811)
Issuance of debt	-	8,545	8,545	-	-	-	-	-	-	17,090
<b>Total other financing sources and uses</b>	<b>60,038</b>	<b>48,969</b>	<b>5,597</b>	<b>(393,135)</b>	<b>(117,139)</b>	<b>-</b>	<b>(700)</b>	<b>387,135</b>	<b>28,825</b>	<b>19,590</b>
<b>Net change in fund balance</b>	<b>34,946</b>	<b>70,730</b>	<b>(6,586)</b>	<b>(481,277)</b>	<b>(126,180)</b>	<b>(2,759)</b>	<b>(7,704)</b>	<b>378,581</b>	<b>(11,968)</b>	<b>(152,217)</b>
Fund balance - beginning of year	237,226	120,129	76,605	481,277	344,322	20,652	47,970	81,900	105,520	1,515,601
Fund balance - end of year	\$ 272,172	\$ 190,859	\$ 70,019	\$ -	\$ 218,142	\$ 17,893	\$ 40,266	\$ 460,481	\$ 93,552	\$ 1,363,384

**Village of Lake Isabella**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2009**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (152,217)</b>
<p>Total change in net assets reported for governmental activities in the statement of activities is different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(182,461)
Capital outlay	65,569
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
State shared revenue	(3,319)
Special assessments	(246,246)
<p>Expenses are recorded when incurred in the statement of activities</p>	
Accrued interest	2,649
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>	
Debt issued	(17,090)
Repayments of long-term debt	<u>373,776</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (159,339)</u></b>

**Village of Lake Isabella**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2009**

	Enterprise Funds		
	Sewer	Airport	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 136,452	\$ -	\$ 136,452
Noncurrent assets			
Capital assets not being depreciated	65,000	50,000	115,000
Capital assets - net of accumulated depreciation	-	110,967	110,967
Total assets	<u>201,452</u>	<u>160,967</u>	<u>362,419</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	7,260	-	7,260
<b>Net Assets</b>			
Invested in capital assets	-	160,967	160,967
Unrestricted	<u>194,192</u>	<u>-</u>	<u>194,192</u>
Total net assets	<u>\$ 194,192</u>	<u>\$ 160,967</u>	<u>\$ 355,159</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2009**

	Enterprise Funds		
	Sewer	Airport	Total
<b>Operating expenses</b>			
Contractual services	\$ 36,241	\$ -	\$ 36,241
Depreciation	-	10,323	10,323
Total operating expenses	<u>36,241</u>	<u>10,323</u>	<u>46,564</u>
Operating loss	<u>(36,241)</u>	<u>(10,323)</u>	<u>(46,564)</u>
<b>Nonoperating revenue (expenses)</b>			
Interest income	<u>2,792</u>	<u>-</u>	<u>2,792</u>
Loss before transfers out	(33,449)	(10,323)	(43,772)
Transfers out	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Change in net assets	(35,949)	(10,323)	(46,272)
Net assets - beginning of year	<u>230,141</u>	<u>171,290</u>	<u>401,431</u>
Net assets - end of year	<u>\$ 194,192</u>	<u>\$ 160,967</u>	<u>\$ 355,159</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Airport</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Payments to suppliers	\$ (28,981)	\$ -	\$ (28,981)
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	(2,500)	-	(2,500)
<b>Cash flows from investing activities</b>			
Interest received	2,792	-	2,792
Net Change in cash and cash equivalents	(28,689)	-	(28,689)
Cash and cash equivalents - beginning of year	165,141	-	165,141
Cash and cash equivalents - end of year	<u>\$ 136,452</u>	<u>\$ -</u>	<u>\$ 136,452</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating loss	\$ (36,241)	\$ (10,323)	\$ (46,564)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	-	10,323	10,323
Changes in assets and liabilities			
Accounts payable	7,260	-	7,260
Net cash used by operating activities	<u>\$ (28,981)</u>	<u>\$ -</u>	<u>\$ (28,981)</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Village of Lake Isabella is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the village government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *village government* is reported separately from certain legally separate *component units* for which the village government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, sales taxes, franchise taxes, licenses, and interest

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

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associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the Village. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is primarily through state shared gas and weight taxes.

The LSSA Capital Project Fund accounts for the bonded construction of the Village's roads and streets.

The Major Street Debt Fund, Fairway Debt Fund, and Castle/Sevilla, LSSA Debt Funds account for the collection of special revenues and the payment of long-term debt.

The government reports the following major proprietary funds:

The Airport Fund accounts for the Airport's assets.

The Sewer Fund accounts for the activities of the sewage

collection system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the airport and sewer funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to



**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

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recover the cost of connecting new customers to the system. Operating expenses for airport and sewer funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied as of July 1st on the taxable valuation of property as of the preceding December 31<sup>st</sup>. The lien on the property occurs when the property taxes are levied (July 1st).

The 2008 taxable valuation of the government totaled \$73,658,745, on which ad valorem taxes consisted of 0.8463 mills for operating purposes.

Isabella County, the county in which the Village of Lake Isabella is located, has a delinquent tax revolving fund whereby the County pays the Village for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers.

Capital assets – Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	7 to 50 years
Equipment	5 to 7 years
Roads	20 to 25 years
Vehicles	4 to 10 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative data**

Comparative data is not included in the government's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles

generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of expenditures over appropriations**

The Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
General government	\$ 132,492	\$ 138,024	\$ 5,532
Public safety	54,325	61,653	7,328
Public works	10,305	10,941	636
Community and economic development	1,140	2,266	1,126
Major Street Fund	110,450	121,974	11,524
Local Street Fund	51,750	69,416	17,666

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 1,335,928
Business-type activities	136,452
	\$ 1,472,380

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,472,380

*Interest rate risk* – The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and

other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The policy adopted by the government authorized that no more than 25 percent of the total deposit and investment balance can be held in any one institution unless invested in certificate of deposit or savings account.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government uses the same police for custodial credit risk as for concentration of credit risk. As of year end, \$0 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government ill not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Village government</b>		
Special assessments	<u>\$ 1,528,434</u>	Debt service funds

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
<b>Village government</b>	
State shared revenue	\$ 11,497
Special assessments	<u>1,528,434</u>
	<u>\$ 1,539,931</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the village government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 5,304	\$ -	\$ -	\$ 5,304
Construction in progress	1,409,600		1,409,600	-
Total capital assets not being depreciated	<u>1,414,904</u>	<u>-</u>	<u>1,409,600</u>	<u>5,304</u>
Capital assets being depreciated				
Roads	3,226,930	1,458,079	-	4,685,009
Buildings	283,300	-	-	283,300
Street equipment	2,575	-	-	2,575
Office equipment	17,023	-	-	17,023
Vehicles	5,900	17,090	-	22,990
Total capital assets being depreciated	<u>3,535,728</u>	<u>1,475,169</u>	<u>-</u>	<u>5,010,897</u>
Less accumulated depreciation for				
Roads	1,060,392	169,463	-	1,229,855
Buildings	7,210	6,364	-	13,574
Street equipment	1,545	515	-	2,060
Office equipment	5,757	2,986	-	8,743
Vehicles	5,900	3,133	-	9,033
Total accumulated depreciation	<u>1,080,804</u>	<u>182,461</u>	<u>-</u>	<u>1,263,265</u>
Net capital assets being depreciated	<u>2,454,924</u>	<u>1,292,708</u>	<u>-</u>	<u>3,747,632</u>
Governmental activities capital assets, net	<u>\$ 3,869,828</u>	<u>\$ 1,292,708</u>	<u>\$ 1,409,600</u>	<u>\$ 3,752,936</u>

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

Capital assets activity of the business-type activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Capital assets being depreciated				
Runway	206,452	-	-	206,452
Less accumulated depreciation for				
Runway	85,162	10,323	-	95,485
Net capital assets being depreciated	121,290	(10,323)	-	110,967
Business-type capital assets, net	<u>\$ 236,290</u>	<u>\$ (10,323)</u>	<u>\$ -</u>	<u>\$ 225,967</u>

Depreciation expense was charged to programs of the village government as follows:

<b>Governmental activities</b>	
General government	\$ 8,486
Public works	173,460
Community and economic development	515
Total governmental activities	<u>182,461</u>
<b>Business-type activities</b>	
Airport	10,323
Total primary government	<u>\$ 192,784</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due from/to other funds</b>		
Local Streets Fund	Queensway Debt Fund	\$ 1,109
Castle/Sevilla Debt Fund	Putter Drive Debt Fund	600
		<u>\$ 1,709</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Major Streets Fund	General Fund	\$ 81,477
Local Streets Fund	General Fund	2,948
Sewer Fund	General Fund	2,500
Capital Project Fund	LSSA Debt Fund	393,135
Major Streets Debt Fund	General Fund	41,126
Queensway Debt Fund	General Fund	1,000
Castle/Sevilla Debt Fund	General Fund	700
Putter Drive Debt Fund	General Fund	300
Local Streets Special Assessments Fund	General Fund	6,000
General Fund	Queensway Debt Fund	30,125
		<u>\$ 559,311</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 7 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special Assessment bonds involve a pledge of specific income derived from the special assessments levied against those property owners who will benefit from the capital improvement.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2007 Capital Improvement	\$ 275,000	2036	3.85 - 5.05%	\$5,000 - \$20,000	\$ 275,000	\$ -	\$ -	\$ 275,000	\$ -
2003 Michigan Transportation	225,000	2013	3.30 - 3.60%	\$25,000	125,000	-	25,000	100,000	25,000
Tractor Note Payable	17,090	2012	5.25%	\$3,077 - \$3,588	-	17,090	3,776	13,314	3,077
Special assessment obligations									
Major Streets Bonds	515,000	2012	3.20 - 3.50%	\$55,000	275,000	-	55,000	220,000	55,000
Fairway Drive Bonds	140,000	2012	3.15%	\$15,000 - \$20,000	80,000	-	15,000	65,000	15,000
Queensway Bonds	140,000	2013	3.60%	\$10,000 - \$15,000	85,000	-	15,000	70,000	15,000
Castle/sevilla Bonds	180,000	2014	4.25 - 4.60%	\$13,600	95,200	-	13,600	81,600	13,600
Putter Drive Bonds	180,000	2014	4.25 - 4.60%	\$6,400	44,800	-	6,400	38,400	6,400
LSSA Drive Bonds	1,585,000	2016	4.35%	\$160,000 - \$175,000	1,585,000	-	240,000	1,345,000	175,000
Total governmental activities					<u>\$ 2,565,000</u>	<u>\$ 17,090</u>	<u>\$ 373,776</u>	<u>\$ 2,208,314</u>	<u>\$ 308,077</u>

**Village of Lake Isabella**  
**Notes to Financial Statements**  
**June 30, 2009**

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 308,077	\$ 87,278
2011	298,239	75,241
2012	308,409	63,119
2013	313,589	50,612
2014	205,000	39,320
2015-2019	543,000	92,234
2020-2024	40,000	52,217
2025-2029	57,000	41,180
2030-2034	78,000	24,535
2035-2036	57,000	4,419
	<u>\$ 2,208,314</u>	<u>\$ 530,155</u>

cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

The Village entered into various transactions with Raymond James Financial Services, Inc., whose agent handling the transactions is a spouse of a Village Council member. The transactions consist of substantially all of the Village's cash management activities.

**NOTE 8 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor

**Village of Lake Isabella**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 60,500	\$ 60,500	\$ 61,543	\$ 1,043
Penalties and interest	250	250	170	(80)
Licenses and permits	3,300	3,300	6,938	3,638
State revenue sharing	84,500	84,500	84,771	271
Local contributions	5,500	5,500	6,225	725
Charges for services	29,500	29,500	30,333	833
Interest income	6,600	6,600	1,461	(5,139)
Rental income	8,400	8,400	8,400	-
Other revenue	975	975	973	(2)
Transfer in	<u>29,500</u>	<u>29,500</u>	<u>60,038</u>	<u>30,538</u>
Total revenues	<u>229,025</u>	<u>229,025</u>	<u>260,852</u>	<u>31,827</u>
<b>Expenditures</b>				
General government				
Village board	4,412	4,412	2,896	(1,516)
Manager	92,440	92,440	94,997	2,557
Clerk	11,775	11,775	12,165	390
Treasurer	16,715	16,715	17,114	399
Elections	400	400	61	(339)
Buildings and grounds	<u>6,750</u>	<u>6,750</u>	<u>10,791</u>	<u>4,041</u>
Total general government	<u>132,492</u>	<u>132,492</u>	<u>138,024</u>	<u>5,532</u>
Public safety				
Code enforcement	24,325	24,325	30,487	6,162
Fire department	<u>30,000</u>	<u>30,000</u>	<u>31,166</u>	<u>1,166</u>
Total public safety	<u>54,325</u>	<u>54,325</u>	<u>61,653</u>	<u>7,328</u>

See Accompanying Notes to Financial Statements



**Village of Lake Isabella**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Public works				
Public works	9,025	9,025	10,101	1,076
Street lighting	1,280	1,280	840	(440)
Total public works	<u>10,305</u>	<u>10,305</u>	<u>10,941</u>	<u>636</u>
Community and economic development				
Planning	740	740	1,608	868
Zoning	400	400	658	258
Total community and economic development	<u>1,140</u>	<u>1,140</u>	<u>2,266</u>	<u>1,126</u>
Debt service				
Interest and fiscal charges	13,021	13,022	13,022	-
Transfers out	4,000	4,000	-	(4,000)
Total expenditures	<u>215,283</u>	<u>215,284</u>	<u>225,906</u>	<u>10,622</u>
Excess of revenues over expenditures	13,742	13,741	34,946	21,205
Fund balance - beginning of year	-	-	237,226	237,226
Fund balance - end of year	<u>\$ 13,742</u>	<u>\$ 13,741</u>	<u>\$ 272,172</u>	<u>\$ 258,431</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
State revenue sharing	\$ 102,006	\$ 102,006	\$ 106,804	\$ 4,798
Interest income	4,250	4,250	1,342	(2,908)
Bond/note proceeds	-	-	8,545	8,545
Transfers in	-	-	76,013	76,013
	<u>106,256</u>	<u>106,256</u>	<u>192,704</u>	<u>86,448</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current				
Public works	81,200	81,200	84,497	3,297
Debt service				
Principal retirement	-	-	1,888	1,888
Transfers out	29,250	29,250	35,589	6,339
	<u>110,450</u>	<u>110,450</u>	<u>121,974</u>	<u>11,524</u>
<b>Total expenditures</b>				
Excess of revenues (deficiency) over expenditures	(4,194)	(4,194)	70,730	74,924
Fund balance - beginning of year	<u>120,129</u>	<u>120,129</u>	<u>120,129</u>	<u>-</u>
Fund balance - end of year	<u>\$ 115,935</u>	<u>\$ 115,935</u>	<u>\$ 190,859</u>	<u>\$ 74,924</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
State revenue sharing	\$ 51,500	\$ 51,500	\$ 53,564	\$ 2,064
Interest income	2,500	2,500	721	(1,779)
Bond/note proceeds	-	-	8,545	8,545
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>62,830</u>	<u>8,830</u>
<b>Expenditures</b>				
Current				
Public works	51,750	51,750	64,580	12,830
Debt service				
Principal retirement	-	-	1,888	1,888
Transfers out	-	-	2,948	2,948
Total expenditures	<u>51,750</u>	<u>51,750</u>	<u>69,416</u>	<u>17,666</u>
Excess of revenues (deficiency) over expenditures	2,250	2,250	(6,586)	(8,836)
Fund balance - beginning of year	<u>76,605</u>	<u>76,605</u>	<u>76,605</u>	<u>-</u>
Fund balance - end of year	<u>\$ 78,855</u>	<u>\$ 78,855</u>	<u>\$ 70,019</u>	<u>\$ (8,836)</u>

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**

	Debt Service Funds			Total Nonmajor Governmental Funds
	2003 MDOT Debt Fund	Queensway Debt Fund	Putter Drive Debt Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 995	\$ 68,749	\$ 25,517	\$ 95,261
Receivables				
Special assessments	-	33,641	32,419	66,060
	\$ 995	\$ 102,390	\$ 57,936	\$ 161,321
Total assets				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,109	\$ 600	\$ 1,709
Deferred revenue	-	33,641	32,419	66,060
	-	34,750	33,019	67,769
Total liabilities				
<b>Fund Balances</b>				
Reserved for:				
Debt service	995	67,640	24,917	93,552
	\$ 995	\$ 102,390	\$ 57,936	\$ 161,321
Total liabilities and fund balances				

See Accompanying Notes to Financial Statements

**Village of Lake Isabella**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

	<u>Debt Service Funds</u>			Total Nonmajor Governmental Funds
	<u>2003 MDOT Debt Fund</u>	<u>Queensway Debt Fund</u>	<u>Putter Drive Debt Fund</u>	
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 5,724	\$ 5,724
Interest income	<u>2</u>	<u>9,933</u>	<u>614</u>	<u>10,549</u>
Total revenues	<u>2</u>	<u>9,933</u>	<u>6,338</u>	<u>16,273</u>
<b>Expenditures</b>				
Current				
Public works	30	1,774	-	1,804
Debt service				
Principal retirement	25,000	15,000	6,400	46,400
Interest and fiscal charges	<u>4,250</u>	<u>2,790</u>	<u>1,822</u>	<u>8,862</u>
Total expenditures	<u>29,280</u>	<u>19,564</u>	<u>8,222</u>	<u>57,066</u>
Deficiency of revenues over expenditures	<u>(29,278)</u>	<u>(9,631)</u>	<u>(1,884)</u>	<u>(40,793)</u>
<b>Other financing sources (uses)</b>				
Transfers in	30,125	-	-	30,125
Transfers out	<u>-</u>	<u>(1,000)</u>	<u>(300)</u>	<u>(1,300)</u>
Total other financing sources and uses	<u>30,125</u>	<u>(1,000)</u>	<u>(300)</u>	<u>28,825</u>
Net change in fund balance	847	(10,631)	(2,184)	(11,968)
Fund balance - beginning of year	<u>148</u>	<u>78,271</u>	<u>27,101</u>	<u>105,520</u>
Fund balance - end of year	<u>\$ 995</u>	<u>\$ 67,640</u>	<u>\$ 24,917</u>	<u>\$ 93,552</u>

See Accompanying Notes to Financial Statements